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**The Political Economy  
of Rent Control:  
Theory and Strategy**

Columbia University  
Graduate School of Architecture and Planning

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## I. Theory

Rent control is an issue that has been arising with increasing frequency in the United States in the last 10 years, from New York City to Berkeley, from Boston to Miami Beach. Where it has arisen, it has generally been a focus for major political activity and a critical element in controversies over housing policies generally. It constitutes a good case study in how public policy affecting housing is determined. Even more, because it is an immediate and concrete issue, it should permit the application of such an analysis to day-to-day events, to questions of strategy, organization and program.

### A. The Myth of the Benevolent State

I have elsewhere argued that most of U.S. mainstream analysis of housing problems and policies is based on the Myth of the Benevolent State: the idea that governmental policy is aimed at the alleviation of the problems of those most in need in our society. Success has not yet been achieved in this endeavor, according to the theory, because of political interference by vested interests (to be solved by reliance on the integrity of "policy-makers"), because of ignorance (to be solved by the rigorous research of well-funded intellectuals) and perhaps because of limited resources (presumably to be solved by convincing the rich that small is beautiful, and again, applying rigorous research to the general problems of efficient resource development, allocation, and use).

The theory of the benevolent state is occasionally called upon to explain, justify, or oppose rent controls. Its theme is that the purpose of rent controls is to achieve fairness to both tenants and landlords. Language in the preambles of rent control legislation frequently calls for, in the non-English in which the subject is often shrouded, the use of

"such administrative standards to be utilized that equitability for both property owners and tenants is approached."

(Lett., p. 89)

The implication of course is that there is an objective level of fairness that can be determined as between the parties, a level of rents that accords with the general public interest. Only the existence of some unique state of facts, both exceptional enough and harmful enough to constitute a state of emergency, prevents the parties in a particular situation from achieving by themselves that fair level of rents. In such limited circumstances, therefore, the intervention of government to achieve fair rents and thus protect the public interest is necessary.

The mythical nature of such a theory hardly needs extended demonstration. The underlying assumption is of course that "fair" equals "free market"; free market is not likely to produce housing for those unable to afford it or means with which that market system provides them. The further assumption of the theory is that the state only intervenes in the rental relationship through controls, and then only benevolently. In fact, the state is intimately involved in aspects of rental housing, from subsidies to participants in its construction infrastructure expenditures, to the legal framework within which landlord relations are established and conducted, through the impact of tax laws and monetary policies on costs, profits, and rent levels, to welfare programs, enforcement (or its lack), and the provision or withholding of public facilities and services. No underlying benevolence unifies these policies. Finally, one expects, if the theory of the benevolent state were correct, to find some connection between the places and times of adoption of rent controls, on the one hand and "unusual" or "unfair" rental situations on the other. No such correlation in fact exist.

The widespread existence of the myth of the benevolent state is not accidental, nor the result of ignorance. To the contrary: it serves itself to legitimate governmental policies, and to focus attention away from underlying contradictions and clashes of interest onto marginal details of program design, implementation or evaluation. The policy implication of the myth in the particular case of rent control is that much more research needs to be done on the consequences of rent control, particularly its secondary, tertiary, and long-run consequences, before any sound decisions can be made. The burden of thus bringing the intervention of government into the private market should be on proponents of rent controls.

### B. The Malevolent Interests Theory

There is an alternate approach to housing issues which might be called the Malevolent Interests Theory. It holds that the problems of housing are essentially caused by the rapaciousness of landlords, the greed of banks, the malice of real estate interests, the heedless drive for profits of contractors and developers. Governmental policies in the field of housing have, according to this view, been ineffective because these malevolent interests dominate legislatures, have interlocking interests with public officials, and fund innocent (occasionally mercenary) intellectuals and researchers. As it affects rent controls, the malevolent interests theory sees the issue as a struggle of tenants against landlords, with the latter having arrayed behind them other equally selfishly-motivated groups. Victory in that contest must then be the objective those concerned with improving housing conditions for the ill-housed.

In the radical interpretation of the malevolent interests theory, victory in the campaign against landlords and their allies on the issue of rent controls is seen as a step in the broader war against the structure of the system itself; the adoption of a strong rent control program will pave the way for even further progressive reforms, ultimately leading to the undermining of the system itself.

Mutatis mutandi, a somewhat similar view of the world is held by the opponents of rent controls, who see its advocates as misguided tenants astray by malevolent and ambitious leaders, suffering either from ignorance or incompetence or both, from overweening political ambition, or from radical political ideologies or simply from the perverse egoism that intellectuals are prone to. Unlike the malevolent interests theory, however, the view of the opponents of rent controls is not primarily concerned about the problems confronting low-income tenants, and fails to acknowledge the real conflict of interests that underlies it.

There is substantial truth in the malevolent interests theory. In part, it is simply a statement of the fact that special interests operate continually to influence legislation and the execution of public policies, and that they do so in order to benefit themselves thereby. Further, there clearly are clusters of special interests allied together in opposition to rent control, just as most tenants favor it. Highlighting the direct pecuniary interests of those opposed to rent controls, and the way they may personally profit from the existence of a housing shortage, is important political ammunition. Identifying and personifying the group, and even naming the individuals, on the opposite side of an issue can be a very effective organizing device; targets are clearly labeled and visible, and easier to attack.

On the other hand, the malevolent interests theory is incomplete as an explanation of housing policies or conflicts. Individuals invest in real estate to obtain a return on their money; if that return is unusually high, it will drive the price of the real estate up until rough parity with other returns is reached. If only certain types of landlords are able to squeeze a good return out of certain types of property, it is as likely to be the property that appeals to the landlord as the landlord that creates the difficult property. Banks will invest, or not invest, according to the anticipated return discounted for such factors as security capital changes. If property is bought, owned, built upon, managed, sold, and ultimately perhaps abandoned according to the profitability of each separate action, without any charge for social costs, then actors will appear whose conduct will impose social costs on others. And such actors will continue to appear as long as private profitability is the controlling criterion. Trying to prevent the actors from acting as they do, while leaving the system of incentives to act in precisely that way untouched, is a labor of Sisyphus. And it has proven in fact.

The linkage tax of rent controls to major long term change that is postulated by the malevolent interests theory is not borne out in practice either. Even the most stringent rent controls seem quite consistent with the continued existence and even strengthening of political and economic systems in which the state is dominated by the same power structures as in the United States. The National Socialist Party in Germany adopted a stringent form of rent control in 1942, and never permitted the more moderate controls of the Weimar Republic to lapse even in peace time. In the United Kingdom, even Conservative governments have not suggested the abolition of controls, and a by no means revolutionary Labor Party, alternating in power with that Conservative Party, has

through its housing policies created a situation in which the private landlord is a disappearing actor on the national scene. Closer to home, it need only be remembered that the most recent major rent freeze in this country was imposed by President Nixon in Phase I of his price and wage stabilization program, and that even Nixon's Phase II compared quite favorably with New York City's present policies in the ceilings imposed on rents.

The malevolent interests theory may also be a political liability for proponents of rent controls. In terms of winning immediate reforms, it can well alienate legislators. All landlords are not in fact personally evil; many of them may in fact be nice to their kids. If the landlords retain Roy Cohn, late of McCarthyite fame, to represent them, as they did in New York City last year, there is no need to worry about personal sympathy for landlords influencing a City Council. But many landlords are in fact little people, widows, veterans, local people, blacks and Puerto Ricans. Excoriating such individuals will not gain votes for rent control; resting the whole case for controls on the malevolence of individuals many of whom are in fact manifestly not evil weakens that case considerably.

Blaming malevolent interests for high rents has a more fundamental drawback as part of any campaign for more radical actions. It defines as its targets selected individuals or limited interest groups, and appeals to state power to help control their malevolent propensities. By doing so, it obscures the systemic nature of the problem. Individual landlords, bankers, or real estate interests have not in fact willfully chosen to act as they do, and thus create a rental housing problem; rather, they have followed opportunities placed before them by a private market system that anticipates that they will behave in profit-maximizing fashion, and that has no way of guaranteeing that socially desired ends are preferred over the ends of private profit.

Arguing that malevolent interests create the housing problem is just as misleading (although it contains just as important a truth) as arguing that red-lining causes housing abandonment, or that block-busting causes segregation-- or as, in the broader arena, arguing that collusive price fixing creates monopolies or individual venality brings about despotic governmental action. All these statements are true, but incomplete. Letting the matter rest at such a point obscures more fundamental problems, and programatically leads to less radical demands.

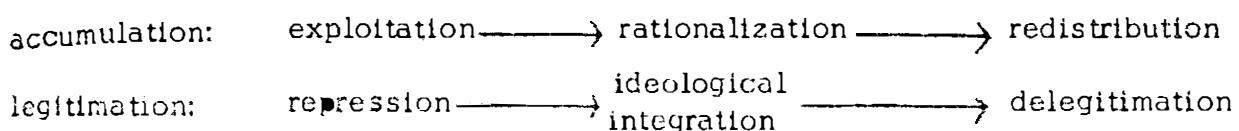
Finally, while the accusation of malevolent interests may be a stimulus to short-term organizing, produce attractive slogans and incite to direct action, it also may impede the development of sound strategies and interfere with effective mass action. For the corollary of the proposition that malevolent interests produce the need for rent control is that the proponents of rent control are all benevolent. If there are devils, there must be angels. But in fact, as will be discussed in detail in the balance of this paper, all proponents of rent control do not advocate it for the same reasons: middle class tenants have quite different interests from poor tenants, are served by quite different formulas and procedures, tend to adopt quite different strategies, and pursue quite different goals. Assuming a common interest by all parties in the pro-rent control coalition weakens those that make the assumption.

### C. The Approach of Political Economy

A more accurate explanation of the determinants of rent control as state policy must go further than either the benevolent state or a malevolent interests theory. In sketch form, an explanation grounded in political economy might run as follows:

Rent controls do not form a part of "housing policy," because the very term "housing policy" is a misnomer (Marcuse, 1977, p. 11). There are a number of different state actions affecting housing, its location, financing, quality standards, prices, race, quantity, etc. These are overwhelmingly determined by factors outside the housing sector, centering around issues of accumulation and legitimization, economics and politics, profits and power, in the society at large. Major state policy decisions on housing, and on rent control, are thus determined by causes outside the housing sector. These causes include the needs of accumulation in the productive sector, particularly but not exclusively during war-time, and the needs of legitimization, particularly during periods of actual or feared social unrest.

Within the housing sector, rent control plays varying roles. If we range accumulation and legitimization policies along a continuum:



Then rent control may be rationalizing or redistributive, ideologically integrative or delegitimizing. In its most typical U.S. form, (what is here later called the fair return model), it is at the center: rationalizing the pricing of rental units, and buttressing the assumptions of the legitimacy of a market economy. Where, as in certain European countries, it goes further (towards what will later be called the tenant hardship model), it appears as part of an overall pattern in which the private residential rental market is seen as subsidiary to, and ultimately expendable in the interests of, paramount state concerns for continued exploitation and even repression.

There are both redistributive and delegitimizing potentials in rent control, however. Their manifestation depends on the specific historic setting in which rent controls are established, the nature, strength, and understanding of the social movements that press for their adoption and enforcement, and the types of demands they put forward.

Part II of this paper takes up the relationship between rent control and accumulation. It examines the economic impact of rent controls, what groups might be expected to benefit from them and how, and under which circumstances which economic interests are likely to hold sway. Part III looks at rent control in the context of legitimization. It reviews the history of rent control in the United States, with side looks at the United Kingdom and Germany, to see what

politically active movements and groups have pressed for rent controls, under what circumstances, and with what success. Part IV then takes an overall look at rent control, to assess both its potential and its limitations as a vehicle for major social change, and draws some conclusions as to the approaches which might heighten or dampen that potential.

## II. Accumulation

In the sphere of accumulation, a hierarchy of concerns can be identified that are affected by rent control. They may be listed as follows:

- \* The needs of production and accumulation as a whole;
- \* The profits of private real estate interests;
- \* The housing expenses of middle-income tenants.

At the head of the hierarchy are the concerns of the dominant group or the needs of production as a whole. Such general needs, where they have required certain actions in the housing sector, have always been dominant: from the employer-built housing of the textile, shoe, coal, and iron towns of the United States to the housing patterns of the Ruhr valley to the English health codes of the 19th century, the requirements of efficient and profitable production have dictated the broad patterns of housing policy. Rent control has had to serve that purpose in war time; in normal times, its usefulness in the processes of accumulation has been less central.

Where the needs of production as a whole are not affected, a number of subsidiary concerns in the sphere of accumulation can be identified that affect housing: the development of consumption demand and the forms of collective consumption; the separate interests of the housing construction industry and its suppliers, of the land-owning and managing firms and individuals; and of the other economically profitable users of land, whose shifting requirements have their spin-off consequences for housing. For rent control, land owning and managing interests are most directly relevant; while the category is a broad one, and needs to be disaggregated for some purposes, to the separate interests within it, which include small individual landlords, larger commercial landlords and residential property owners, major corporate and institutional investors in property, a variety of types of financing institutions, and a network of supplier and ancillary interests, these private real estate interests generally share a dislike for rent controls, for essentially similar reasons, and may be treated together as landlord interests.

Tenant interests, on the other hand, are not at all uni-directional. The distinction between the effect of rent controls on middle income and on low income tenants is crucial for an understanding of the history and real effects of controls. Unfortunately, although perhaps not surprisingly, good data on the issue is very hard to come by. The evidence that is available, however, is consistent in pointing to the greater benefit derived by middle income families from controls than is produced for low income families. The list of communities that have adopted rent controls in the U.S., set forth in the Appendix, is itself instructive.

Further evidence that middle class benefits from rent controls minato those of lower income families can be found from the political history of rent control agitation set forth in Part III of this paper. One may plausibly assume that the motivation to political action bears some direct relationship to the immediate economic benefit to be derived from that action. When middle income tenants press for controls, they may be presumed likely to benefit from them; when lower-income groups are concerned instead for public housing and increased subsidies, adequate maintenance, and see rent strikes and public housing as their immediate solution, their problem may be seen as going deeper than typical rent control laws would solve. The situation between middle and low income tenants in England appears to be similar; in the typically understated words of Martin Partington,

Many of the rules of law set down in this book (concerning protection of tenants and rent controls), initially passed to protect the underprivileged in our society, are not capable of being used to protect those who originally might have been though able to look after themselves (p. 5).

Without comment on the "original" situation, its present configuration seems clear.

Let us see how this hierarchy of concerns in the sphere of accumulation works itself out in the detailed formulations of rent control laws and their application in practice.

#### A. The Needs of Production

Rent controls, in the United States, were first adopted during the First World War, and specifically designed to permit the influx of war workers and military personnel to be accommodated in the major cities without adverse political consequences.\* The temporary rate of the influx might have been marginally higher than that of earlier times, but certainly not much higher, and the housing conditions confronting the new in-migrants was certainly no worse than that confronting the immigrants from Southern Europe a generation earlier or the immigrants from the South a generation later. But direct state action had led to the influx during the war, and interference with the requirements of production during the emergency could not be brooked, even temporarily; so the state had to take the responsibility for meeting the immediate needs it had hastily created. Subsidy programs, while small in scale, were linked to the same issue, not out of benevolence, but because no alternative existed that could avoid political and economic problems. Economic concerns were primary because it was they that immediately and directly mandated the influx of workers; the political consequences of that influx then had directly to be dealt with.

In broad terms, the need to house workers newly required by expanded production, at a level that would attract them to where they were needed with a minimum of unrest, was the most immediate and direct service of rent control during war time. Beyond that, the need to avoid or control inflationary pressures figured prominently. And, at the broadest level, rent controls aided in the shift of resources away from the housing sector of the economy that took place in all countries during the war, attested by the drop in the proportion of income spent on housing.\*

The developments in England were substantially similar. The dramatic rent strike in Glasgow in 1916, which led over the next few years both to national rent controls and the establishment of council housing, were supported by many of the major employers of the City. The linkage to political concerns appears equally clear; Peter Dickens has recently reviewed the correspondence in confidential government communications which shows, even prior to the Glasgow strike, the concern by leaders that housing shortages might lead to political unrest.

In structural terms, the issue at such periods is whether the possibilities for additional profit of one sector of property ownership should be allowed to imperil the expansion of production the system as a whole in a situation where political as well as economic costs might be wide-spread. Under such circumstances, the interests of the part are subordinated to the interests of the whole. Landlords must limit their rents, property owners postpone their profits. There is no inconsistency between such a policy and even right-wing political ideology; neither Hitler, nor Nixon, nor Churchill was ever accused of principled left-wing convictions.

Apart from the war time situation, when rent controls were imposed from above in the interests of production as a whole, there is, at least in the United States, no evidence of any direct relationship between controversies over rent control and the production end of the accumulation process. Theoretically, a reduction in rents reduces the wages that would need to be paid to worker to maintain him or herself. Housing is an essential commodity, and in the long run a reduction in its costs should reflect itself in the level of wages paid. Further work needs to be done to develop this linkage, however. In practice, no employer support for rent controls that might be thus grounded appears in the U.S. history.<sup>2</sup>

In the same way, it might be expected that the struggle for rent controls would be seen as a part of workers' struggle for higher effective wages, for a greater share in the profits of production. This does not seem to be true in the United States either, and hardly appears elsewhere. The evidence on the relationship of at least the reported organized conflicts on

Donnison, p. 66.

the two issues can be readily summarized. The Central Federated Union, in New York, gave support to the efforts at controlling rent abuses in 1919-1920; these efforts were primarily through conventional political channels, however, even though there was at one point talk of a general strike--that did not mature into action--in support of housing demands.\* Some of the leaders of the rent strikes of the early 1900's were also active union members, and at least one, a young woman named Pauline Newman, began organizing rent strikes as a direct result of a wage reduction.\*\* In 1936, in New York, a City-wide Tenant Union was formed of three existing tenant's associations largely around the issue of support for striking building service employees.

Apart from such isolated events, organized labor and the tenant movement were not much involved with each other, nor did rent control figure prominently in any union political programs. In the 1920's, the bulk of organized labor opposed any type of public involvement in housing at all; when it changed its position and supported the Wagner-Ellender Act in 1936, it did so out of concern for the employment of members of the construction trades in the public housing to be built, and tenants had little involvement in the national political activities that led to the Act.

The situation in England and Germany differed only because of the greater ideological sophistication of their labor movements, not because workplace and housing struggles were any more closely linked as economic issues. The Glasgow rent strike in 1916, that ultimately led both to rent controls and the program of council housing, was strongly supported by the Labor Party (as well, incidentally, as by many employers'), and Labor as a parliamentary party has always been more sympathetic to tenants than have the Conservatives. At the trade union level, incidents such as the support of Council housing tenants' opposition to increases in Council rents by concerted action through a one-day work stoppage in Liverpool in 1972 are very much the exception rather than the rule.

By and large, the situation in Germany has been similar: the more politically left the party, the more sympathetic to tenant concerns, but the sympathy finds expression through political action, not through the linking of workplace issues with housing issues. Perhaps Engels' denunciation of the prudonists' efforts to convert the housing question into a matter of class struggle has had a self-fulfilling effect among at least the organizations of the Marxist left in Europe.

#### B Private Real Estate Interests and the Details of Rent Control Laws

Under normal circumstances, then, (i.e., other than in war time), the direct interests of production have not been involved in controversies over rent control in the U.S. Normally, the issue involves only the distribution of

\* Spenser et al., pp. 4-5.

\*\* McLoughlin et al., p. 9.

income between landlords and tenants; it is much more akin to a conventional commercial transaction, in which shopkeepers try to obtain the highest price they can, and consumers to pay the lowest. By and large, Engels' formulation, that "we are dealing here with a quite ordinary commodity transaction between two citizens, and this transaction proceeds according to the economic laws which govern the sale of commodities in general, and in particular the sale of the commodity "landed property,"\* still holds true.

The bewildering variety of formulas used to establish rent limits under rent control laws can be neatly categorized conceptually to show the exact nature of the impact on the economic position of landlords. The relevant categories are:

"Fair return" formulas - under which rents are fixed so as to provide "fair return" to the landlord on investment, on equity, or consistent with past returns, or on some similar base. This formula effects no redistribution whatsoever, and may even benefit landlords.

"Market" formulas - under which rents are fixed so as to be consistent with what they would be were a free market operating, based on comparable units, on standards established by size, amenity, and location, by past rental levels, or on some similar base. This formula effects no general redistribution, but may, at most, limit returns in exceptional situations to those prevailing in the market generally.

"Tenant hardship" formulas - under which rents are fixed in relation to tenant income, on the basis of percentage of earnings, welfare standards, changes in the cost of living, or on some similar base. This formula, if effectively administered, may in fact provide for limited redistribution from landlord to tenant.

Rent freezes, depending on their level, can come in any category. All sorts of combinations are of course possible, and laws as complex as New York's contain elements of all three (the last being the weakest and applying only to elderly residents where rent increases are limited based on income).

Generally, reference to one or another of these standards can be readily found in the text of the legislation establishing controls. Monica M. Ettinger, for instance, classifies 17 different criteria used to indicate the existence of a housing emergency in contemporary United States rent control laws and ordinances into two broad groupings: those relying on a "rent factor... facing decent housing beyond the means of a large portion of the population," (that is here called "tenant hardship"), and those relying on a "vacancy factor... leading to abuses in the housing market, i.e., rent gouging," which

[can comprehend both fair return and market rent formulas.\* The quite different impact of the two theories is not alluded to.

In England, the distinctions are more clearly recognized, and tenant hardship, the only significantly redistributive formula, has been explicitly rejected as the determinative criterion. In the words of the Milner Holland report in 1965, exorbitant rents should be defined as

'rents...grossly out of keeping with the age and condition of the property.' [It excludes] cases where the rent was high only in relation to the tenants means, which we treated as hardship and not as abuse.\*\*

The Rent Act of 1968 gives a crystal clear definition (conceptually, if not practically!) of its linking of rent controls to the market rent:

In determining...what...would be a fair rent,...regard shall be had,...to all circumstances (other than personal circumstances) and in particular to the age, character, locality and state of repair of the dwelling house....

The parentheses excluding "personal circumstances" make it clear that hardship on the tenant is not a factor, and no redistributive effect is intended. But neither is the landlord's profit to be protected beyond what the open market would provide, for the Act goes on to say:

...it shall be assumed that the number of persons seeking to become tenants of similar dwelling-houses in the locality on the terms (other than those relating to rent) of the regulated tenancy is not substantially greater than the number of such dwelling-houses in the locality which are available for letting on such terms.\*\*\*

The inescapable empirical impossibility of trying to determine how many persons would seek a given dwelling-house, rent not being a factor (parentheses in English legislation seem to contain unusually interesting matter), when in fact rent is the most important factor that more than any other determines what type of dwelling a person seeks, has understandably caused substantial difficulty, although again the conceptual root of the problem does not appear to be generally discussed.

The German formula is today likewise a market rent formula, explicitly. "miete-spiegel," rent-mirror, is established for each community, in which prevailing rents are reflected, separately by size, amenity, and age. Ceilings are then based on that standard, and only evidence of changes in amenities, or market trends requiring modification of the mirror, can substantiate a request for an increase.\*\*\*\*

[\*] *Ilett*, pp. 35-37.

[\*\*] Milner Holland, pp. 163-164; see also Partington, pp. 22ff.

[\*\*] Rent Act 1968, Sections 46 (1) and (2).

[\*\*\*] Brenner.

What such market formulas thus do is to smoothen out the rental housing market, to standardize prices and perhaps quality. The logical extension of the concept would be to permit housing-market-wide bargaining to determine the level of rents. That system is in fact permitted locally in West Germany, and is established nationally in Sweden, where national organizations of landlords and tenants meet annually to establish and revise rent charges.

The fair return formula, the least redistributive of all, is predictably the most widely used in the United States, where the over-all strength of the forces for redistribution are weakest. Where market formulas are used in the U.S., they are likely to permit increases, rather than hold them down. New York City's rent stabilization law, for instance, permits individual adjustments beyond those generally given where the rent would otherwise be

substantially different from the rents generally prevailing in the same area for substantially similar housing accommodations.\*

Three features are characteristic of fair return formula, and together ensure that rent controls will act redistributively only in the case of the severest shortage and most flagrant abuses. The three identifying characteristics are:

A formula to provide for a fair return;

Automatic pass-through of operating cost increases;

Adjustments permitted for individual hardships to landlords.

Provision for a fair return to landlords has been held constitutionally required in rent controls under the due process clause by a number of courts,\*\* although there are also cases holding to the contrary.\*\*\* In any event, almost all U.S. rent control legislation includes them. In a few, where the definition of a fair return is based on some historic return earned at a given point in time, the assumption is explicit that that historic return was fair:

The Director shall presume that rents for housing accommodations in this City in effect on October 16, 1974, were established at levels which yielded to owners a fair rate of return for such units.

The manner of definition of "fair return" varies substantially from law to law. In some it is based on the owner's equity; in others on the value of the property, which may in turn be based on assessed value (as it is for many purposes in Great Britain) or on appraisals made for the purpose; it may carry

\* New York City Administrative Code, Section YY 51-6.02 (b) 1.

\*\* Hutton Park.

\*\*\* Bowles vs. Willingham, p. 13.

forward a dollar return from a prior period, adjusting for inflation; or it may be calculated as a constant percent of gross rent. Herbert Selesnick\* lists no less than seven different variations of these formulas used in four communities under the Massachusetts local option law over a four year period.

Fair return provisions seem to provide a limit on rent levels in the long run by freezing the amount of profits that can be derived from a given piece of real estate to some figure determined at a given point in time and then frozen there, possibly with an adjustment for inflation. The speculative element at least seems thus to be removed from the market for residential real estate by fair return rent control laws.

But this conclusion is erroneous. Capital gains on the sale of such property are not controlled by any rent control law in any jurisdiction in the U.S., nor, to my knowledge, in any European country. Reasonable calculations as to the likely ending or weakening of rent control--calculations soundly based in past history--make continued speculation in the appreciation of property values continue unabated. One major source of landlord profit is thus entirely unaffected by temporary rent controls, or controls expected to be temporary.

Beyond this, even during the temporary period of subjection to rent controls, the failure to limit speculation in fair return rent control laws permits immediate rent increases to take place that reflect the impact of such speculation. This is because most of the fair return formulas are in fact circular. They base the permitted return of some assessment of "value," "fair market price," or "equity"; these figures are determined by appraisals, comparable market prices, or the price paid for the actual unit. But in turn the market price of that property as well as of comparable properties based on the return expected from it; the amount of equity will be likewise influenced by anticipated return. Value is based on expected return, and permitted return is based on value. Thus, permitted return is based on expected return, and the market determines rents just as if there were no rent controls at all.

The pass-through of operating costs from landlord to tenant is a standard feature of fair return rent control laws. Under some, a Fair Net Operating Income (F NOI) is a recurrent term) is determined on a case by case basis; in others, an annual increase is allowed based on some price index for standard components of operating expenses; in still others, a flat percentage increase is allowed, based on estimates of cost increases. If an absolute ceiling is fixed on increases which is less than the real increase in costs, there may be a redistributive aspect to pass-through provisions. If the ceilings are as high as, or higher than, real increases (and most are, partly under pressure of court rulings, and if not, they permit hardship adjustments of the type described below to avoid their effects), pass-through provisions may be a positive advantage for landlords.

The automatic pass-through of operating cost increases removes the incentive to economize, and can protect, if it does not reward, inefficient management.\* More important, it removes from the bargaining arena what might otherwise be a very touchy issue: the rising costs of utilities and other operating supplies and materials. Oil companies, in this sense, are the biggest beneficiaries of rent control: landlords no longer have any incentive to argue over price increases, nor to explore the feasibility of alternative sources of fuel. At the same time, tenants are hamstrung in their opposition because of the intervening landlord and rent control regulations, which seem to render official and inevitable fuel cost increases. Pass-through formulas in rent control ordinances thus are likely a blessing in disguise for landlords and suppliers.

Adjustments for hardships to landlords are a final component of almost all U.S. rent control laws. In New Jersey, they have even been held to be essential if rent control is to meet constitutional tests of due process.\*\* They permit any landlord who can show that the combination of statutory fair return formulas with operating cost pass-through provisions are still inadequate to provide an adequate return on the facts of that landlord's particular case to obtain an adjustment in rent to provide it.

All in all, the net result of fair return rent control ordinances in the sphere of accumulation is negligible. They tend to even out the market, to bring temporary or isolated high rents more into line with prevailing ones. They rationalize the market for residential rental properties. They even have some advantages for landlords that may arguably contribute to increased net profits. The rents fixed under them achieve a status of a legal sanction, that makes individual efforts to bargain for lower rents more difficult. The vagaries of the atomistic free market are reduced; while upper limits are set on current profits, lower limits are also de facto established. Although data is not readily available, the likelihood is that most apartments in middle income communities subject to rent control are in fact collecting rents at the rent control levels. J. G. Cragg's essentially anti-rent control report for the *Rentalsman* in British Columbia makes both these points:

...rent control... may be beneficial at the present time in providing a more orderly market. The Allowable Rent Increase can be used to indicate in general terms what would be a reasonable figure. The justification procedure at least indicates to tenants that a further increase is not completely arbitrary.\*\*\*

One final bit of fragmentary evidence supports this conclusion about the essentially neutral, rationalizing function of rent control in the middle income market, and the lack of impact in the low income market: cities under rent control

\* UPA II-5.

\*\* Hutton Park Gardens vs. West Orange Town Council, 68 N.J. 543.

\*\*\* pp. 12-13.

seem to show the same patterns of increases in rent levels as cities not under rent control. The one detailed study readily available compares Vancouver, with a fluctuating history of rent control over 5 years, with Toronto, without such controls: rents in fact went higher in the former than the latter!<sup>1</sup> One may speculate that the housing market in Vancouver grew tight in the late 50's; that some agitation among lower income and politically progressive forces took place, gaining some support from middle income tenants; that the issue was seen as an appealing one for political leaders, in conventional vote-getting terms; that a weak rent control measure was enacted, achieving some rationalization of the housing market, avoiding some temporary excess profits of landlords in the middle income housing market, but having virtually no effect on low income rents; and that the underlying circumstances that began forcing rents up to begin with continued, only trivially moderated by rent controls, to produce increasing rents, on a par with what was happening elsewhere in Canada.

There is some fragmentary evidence to the contrary in Massachusetts but it is based on too small a sample to be reliable;<sup>\*</sup> (it is reported that rents increased by 30% in one year after New York rent control laws expired in 1929);<sup>\*\*</sup> and there is evidence, again unsatisfactory, that rents are being kept below their market levels in New York by controls. But that is not the point here; it is rather that rents are at best kept to "normal" market levels (normal in the economy as a whole) by controls, although below the levels abnormal conditions might make possible without controls. Controls thus function to even out rents and permit a readier integration of the economy spatially.

But the needs of private accumulation are not only consistent with the return model of rent controls; they are consistent, depending on the specific historical circumstances, with even the most stringent tenant hardship models, and in fact with the ultimate elimination of the private residential landlord entirely from the housing market. Hitler, Churchill, Nixon are the national leaders who have been responsible for the most recent stringent rent controls in their respective nations; they are hardly among the most militant challengers to the prevailing economic order. Britain has seen the virtual elimination of the private landlord from the low-income housing market, and all-together private rentals now account for less than 13% of the total stock of dwellings, compared to 44.6% in 1950;<sup>\*\*\*</sup> yet Britain is still clearly a free market economy. In other western European countries, the private landlord has been in David Donnison's words, both regulated and subsidized...he has been employed, unwillingly perhaps, as an instrument of housing policy.<sup>\*\*\*\*</sup> In the broader picture, the role of

\*Selesnick

\*\*McLoughlin, p. 15.

\*\*\*Wolman, p. 47.

\*\*\*\*Donnison, p. 86.

the private landlord, and the particular profits associated with various permutations of that role, are not indispensable to the accumulation function of a private market economy; landlords may be entirely unfettered, virtually eliminated, or regulated and controlled, and yet the system prospers. Rent controls are as likely to serve more smoothly to integrate the functioning of the private landlord with the needs of accumulation of the economy as a whole, as they are to redistribute normal rental market profits from landlord to tenant; at least in the United States, that conclusion hardly seems in doubt.

### III. Legitimation

Just as a hierarchy of concerns in the sphere of accumulation affects rent control policies, so does a hierarchy in the sphere of legitimation. They may be stated as follows:

- \* threats to the stability of the system as a whole, real or perceived;
- \* political conflicts among major parties, classes, and interest groups within the system, outside the housing sector;
- \* immediate profits and the quest for long-term legitimacy by private residential real estate interests;
- \* pressures of middle-income tenants for a better housing bargain;
- \* demands of low-income tenants for improved housing.

These are forces affecting rent control policies as they are reflected in the political sphere. They can best be seen through an examination of selected epochs in the history of rent controls and the conflicts surrounding them.

#### A. The Period After World War I

Rent control in the United States, as well as in European countries, has its origins in the first World War. The predominant needs of production dictating the adoption of such controls have already been outlined; the war-time situation is one in which the particular interests of the groups involved in property ownership and renting had to be subordinated to the more critical needs of those concerned with the productive processes as a whole.

Post-war patterns evidence a remarkable similarity, both between the two World Wars and between Europe and the United States. In each case, the strong pressures created by the concentration and expansion of production in areas of insufficient housing abated rapidly. In each case, there was concern about the political repercussions of the adjustment to peacetime. In some cases, there was a directly revolutionary situation (Germany, 1918); in others, there was real concern that such a situation would arise. In each case, there were in fact directly political movements questioning the legitimacy of the system, movements with significant mass base: the Labor Party in England, the Social Democrats in Germany, the Socialist Party in the U.S., after the first World War;

the liberal-to-left trends coming about after the second World War in each country, supported by the temporary prestige of the Soviet Union and the C.P.U.S.S.R. abroad. War-time rent controls, although no longer needed in the interests of accumulation, could thus not be abruptly dropped because of concern about the basic preservation of the economic and political system itself.

The depth of that concern of course varied from country to country and between the two post-war periods. In both England and Germany, it was serious enough, on the part of the State, and the forces of opposition were strong enough to push the State into permanent involvement with rent controls in modification of private market pressures. Private real estate interests assumed a subordinate position, both politically and economically, vis-a-vis the interests of the more general productive processes. This is not to say that real estate interests did not recover from their low point of the 1916-1921 period in England and Germany--they did, through continual erosion of the content of rent controls--but they never regained that significant impact on housing policy that they still have in the U.S. today.

The pattern differed in the United States, because it came out of the first World War very much stronger economically than it entered. Both its domestic productive apparatus and its international position were much enlarged and strengthened. After a brief setback in 1919, economic growth began a steady upward movement from 1920 to 1928. Inflation remained under control. At the same time, the political counter-offensive against the radical tendencies that had emerged during the war was launched in earnest with the Red scares of 1919-1922. The Socialist Party was one of the main targets of that successful country-offensive.

Rent control had in fact become an integral part of the general political struggles in which the Socialists were involved by 1920. The history of the tenant movement, at least in New York City, is in the process of being well documented through the work of the Tenant Movement Study, including work by Ron Lawson, Stephen Barton, John McLaughlin, Joseph Spencer, and others, undertaken through the Center of Policy Research in New York. Much of the following material is drawn from their working papers, listed in the references at the end.

At the height of the tenants movement in 1919, the Socialist tenant leagues probably had 25,000 members, and there was serious concern on the part of the New York City administration that the Socialists would be able to organize a mass rent strike of 250,000 families.\*

This is not of course to say that problems within the housing sector were not a major factor in developments on rent control. The vacancy rate in New York City was estimated at .36% in 1920; \*\* 5% is the break-point at which decontrol goes into effect under current New York law, and a rate under

\* Spencer et al. p. 4

\*\* Spencer et al. p. 1

It is almost unheard of in any normal market. 50,000 units built in New York prior to the Tenement House Act of 1901, and thus built to grossly inferior standards, were estimated as vacant in 1910 but were reoccupied by 1920.\* Even absent a Socialist Party, strong tenant agitation was to be expected. As it was, however, much of the tenant organizing in the immediate post-war period in New York was done by ideologically committed Socialists, the tenants groups met in Socialist halls, they were strong in areas where the Socialist Party was strong, and their leadership was frequently Socialist Party activists. The fate of militant tenant action, including pressures for strong rent control, was for the time inextricably linked with the fate of the Socialist Party in New York.

The combination of radical political agitation and real housing crisis was enough to raise a real threat to the legitimacy of the existing system, and the existing state apparatus was worried about its ability to cope with it. The courts, in particular, became hopelessly overloaded with eviction cases as landlords took advantage of the housing shortage to raise rents and evict tenants who could not or would not pay the increases. It was the Municipal Court judges, complaining about their own inability to cope with their case load and the dangers that dispossessed tenants would become "easy prey for agitators who are Bolsheviks and other radicals,"\*\* who finally were the key in getting the New York State Legislature to pass the Emergency Rent Law of 1920.

All of the first three of the four determinative factors listed at the outset of this discussion thus combined to produce post-World War I action on rent control in New York: concern by the state with the stability of the system, broad political conflicts in which rent control was a subsidiary issue, and the militant demands of those suffering from the housing shortage. The separate influence of middle class housing pressures was not distinguishable at the early stages of these developments. As time went on, however, and as the counter-offensive against the radical pressures for rent control grew more powerful, the influence of middle class control concerns likewise grew.

Some "moderate" groups sprang up during the height of the Socialist-led agitation around housing. Some were based on community councils; others were tenant associations with names like the Fair Play Rent Association in the Bronx; many had close links with existing political Democratic and Republican organizations, and ties to patriotic groups like the Sons of the Revolution and the American Legion; \*\*\* They became active in the legislative controversies over rent control, and soon formed close ties with Governor Smith and the regular party leadership.

With the passage of the Emergency Rent Law in 1920, the rent control issue was shifted from the political to the administrative arena. Concomitantly, the strength of moderate groups waxed as that of radical groups waned. There was now an institutional role to be played: the interpretation of the complex new laws, and participation in their administration. The moderate groups willingly

\* Spencer et al. p. 1.

\*\* Spencer et al. p. 4.

\*\*\* Spencer et al. p. 5.

played that role, and became closely tied to the Smith political machine. The constituency of the more radical groups, decimated by the Red scare, coopted by the processes of the Emergency Rent Law, and affected by the slowly improving housing situation, vanished. By 1928, when the Rent Laws were allowed to lapse, no strong tenant actions opposed the event.

#### B. The 1930's

The quite different evolution of rent control conflicts in the 1930's can be traced to the quite different evolution of the five determinative factors suggested above. The issue of legitimization was clearly more critical in 1933 than in 1919. Its force was such that only national, not local or state-level, actions were seen as appropriate, and directly economic, i.e., income-related, measures seen as relevant to the demands of the poor. For them and their organizations, housing became subsumed under much more pressing issues. The priorities were congruent with the reality: with a rental vacancy rate reaching 21% on the Lower East Side of New York in 1934 and 1935, \* the immediate problem was not a housing one.

As the deteriorating economic situation began to result in the abandonment of buildings and the reduction of maintenance and repairs to tenements, agitation on housing issues increased among low-income families. Rent strikes proliferated in 1936, and first local and then city-wide tenants groups were organized. The City-Wide Tenant Council, formed in 1936, was a delegate body representing a number of local organizations, and developed a substantively radical program. It included support for direct construction of public housing, increased payments for rent under the Emergency Relief Bureau program, vigorous code enforcement, and opposition to public funds for rehabilitation that would result in higher rents for tenants. On rent controls, one of its cardinal demands, its position was unequivocal: rents should be pegged entirely to tenant incomes, and the level of landlord profits ignored. \*\* The adoption of the tenant hardship, rather than the fair return, formula for rent control ceilings marks the low-income orientation of the organization.

Yet the City-Wide Council and its allies met only very limited success in their efforts. The Minkoff Act, passed in 1938, was the furthest they got; it prevented rent increases in old-law tenements that had code violations. While this was not an insignificant victory, it was the limit of success for low-income oriented efforts at rent control.

The disjunction between low-income and middle-income housing concerns may explain the failure of tenant demands for rent control in the 30's, compared to their success in the early 20's—a contrast the more striking because of the similarity of other determinative factors in the two periods. In both cases, there were serious concerns about the maintenance of the legitimacy of the established order; in both cases, housing became one of a number of programmatic concerns of broader political movements; in both cases, the housing

\* Spencer et al. p. 9.

\*\* Spencer et al. p. 14.

problems of low-income families were severe. The difference lies in the housing situation of middle-income groups. After the first World War, they were complementary to those of low-income groups: an absolute shortage of units, excessive rents. After the Depression, they were dissimilar. Foreclosures were the number one problem for those many middle-income families who had succeeded in purchasing their own homes in the 20's. A moratorium on foreclosures, followed by assistance in refinancing, was their preferred public program. And that was the program that in fact was the first adopted in the housing field in the New Deal.

As far as middle-income renters are concerned, good data are not readily available. The logic of substantial vacancy rates, a sharp reduction in new household formation, lessened immigration and reduced mobility generally, all point towards a renters' market for middle-income tenants. In the largest cities, for instance, those over one million, population grew by 48% between 1920 and 1930, but growth dropped to 6% between 1930 and 1940. \* The Consumer Price Index for rent (admittedly a very gross aggregate measure) rose from 85.3 in 1919 to a pre-war high of 126.4 in 1925, stood at 114.2 in 1930, dropped rapidly to a low of 78.2 in 1935, and then climbed very slowly to only 86.9 in 1940. \*\* The available evidence suggests that middle-income families benefited the most from the favorable situation for renters in the 1930's. Low-income families, with earnings falling more rapidly than rents, were forced to double up, and found landlords reducing services and maintenance to offset losses of revenue from rents. Certainly the history of efforts to achieve rent controls and effective public regulation of housing standards reflects the absence of middle-income pressures in the 1930's. The limited results can perhaps best be explained by that fact, given the distribution of power in the society as a whole.<sup>4</sup>

The World War II and post-war history of rent controls in the United States as well as in Europe is a virtual duplicate of the World War I period and its aftermath. National controls were initially imposed during war-time, with concern for tenants' incomes and ability to pay, and perhaps concern for inflation, preempting fair return or market considerations. As the post-war housing shortage was gradually alleviated, controls were abandoned (in the U.S.), or weakened (in England and West Germany), with the emphasis gradually shifting from formulas based on tenant hardship to market formulas. Finally, the adoption of fair return formulas signaled the virtual ending of any significant economic impact of rent controls except in particular and exceptional local circumstances of acute shortage. The details of the history can be found in a number of sources (Lett, Woods, Fisher, Partington). It bears out a general pattern in which the overriding needs of production in war-time give way to legitimization concerns in the immediate post-war period; once assuaged, the fortunes of rent control hinge entirely on the shifting participation of middle-income and lower-income tenant pressures, and are dominated by developments in the general political sphere, other than within the housing sector.

\* U.S. Historical Statistics, p. 14.

\*\* U.S. Historical Statistics, pp. 125-6.

A word on the most recent decade in the United States will provide current evidence.

C, The Current Period

There was a new wave of mass action on rent control in the U.S. from 1968-1976. Beginning with a successful upsurge of action from 1969-1971, the tide of battle fluctuated between 1972 and 1974, (New York City leading the way downhill in 1971), the substance of rent controls becoming gradually watered down and converted to the benefit of higher-income tenants, and after 1975 defeat followed defeat. The developments may be seen from the following chronology:\*

- 1969      Miami Beach adopts ordinance  
              New York City Rent Stabilization Law  
              (extending weak controls to previously uncontrolled units)
- 1970      Massachusetts local option law
- 1971      New York State vacancy decontrol
- 1972      Feb. 2 Fort Lee ordinance  
              Berkeley, Calif. ordinance  
              (Miami Beach ordinance invalidated)
- 1973      Weaker Miami Beach ordinance adopted  
              (Miami Beach ordinance invalidated)
- 1974      Weakest Miami Beach ordinance adopted  
              New York State Emergency Tenant Protection Act  
              (weak controls)  
              Washington, D.C. ordinance adopted
- 1976      April 1, Massachusetts local option law expired,  
              campaign to renew failed  
              Boston vacancy decontrol  
              HUD Rule 403, exempting Federally-assisted housing  
              from state or local controls, adopted  
              (June 16 Berkeley ordinance invalidated)  
              California anti-local option state campaign  
              June, Bangor ordinance defeated  
              August, Washington, D.C. ordinance weakened  
              New Orleans, Boulder, Colo., Madison, Wis., Councils  
              refuse to put rent control on ballot  
              Ann Arbor, East Lansing, Palo Alto student-led rent  
              control initiatives defeated  
              December, Miami Beach ordinance repealed

\* Shelterforce, Lett, Keating.

How explain this chronology and profile?

Outside of the housing sector in this period, strong and often violent protests and opposition forced the adoption of redistributive legislation at the national level between 1964 and 1968. That tide turned in 1968--obviously over-simplifying a very complex pattern--and efforts became more focused at the local level. Whether that development was the result of the change in the fortunes of combat, or a developing conscious change of strategy of the opposition, is a moot question; both developments occurred simultaneously, the first no doubt influencing the second.

Rent control became one of the foci of local action, then, in 1969 and the very early 1970's. Actual victories were few and far between; those that did take place were fragile, and often preempted middle-class tenants, or evaded by more and more industry groups-builders of new housing, marginal slumlords, condominium converters, and landlords generally through vacancy decontrols, broad pass-through formulae, large blanket increases. By 1976, the tide had clearly turned at the local level, and the fight for rent control became a holding and defensive action with less and less in economic interests at stake.

The ideological component of the battle becomes correspondingly stronger as the basic issues of accumulation are less involved. Rent control is a vital issue today because of its ideological relationship to the fiscal crisis. The technical formulation of the issue is "erosion of the tax base;" the content of the issue is the legitimacy of the shifts in power (and to some extent resources) that occurred in the 1960's. Rent control is seen as a trophy in the battle of the 1960's, one which the counter-offensive represented by "the fiscal crisis of the cities" intends to recapture. The language of the Senate Committee on Banking, Housing and Urban Affairs in its report on the New York City Loan Program in May, 1976 is typical:

Finding--The Committee finds that the rent control program...is a major cause of the decline of New York City's housing stock and the erosion of its real estate tax base.

Recommendation--The Committee recommends that the City and State confront this problem squarely and, if necessary, take the actions needed to phase out rent control...The Committee cannot view with complacency the continuing decline in the City's real estate tax collections, which mirrors the decline of its housing stock. Whatever the political costs, the State Legislature will have to confront the rent control problem. (p. 3, 14).

The stage is clearly set for a use of the weapons of the fiscal crisis directly as political leverage to restore accumulation not only to economic but also to political primacy at the local level.

#### IV. The Strategic Potential

Changing the perspective now away from the past, what role is rent control likely to play in current and future political and economic conflicts? How important an issue is it likely to be in future struggles for progressive social change? What characteristics will heighten its importance, and what characteristics will limit it?

The comments that follow must of course be seen in a broader context: housing itself is only a part of a much larger picture, and a rather subsidiary part, it has been previously argued. That broader context is not described here. Further, I have argued elsewhere (Marcuse, 1977) that "housing" is more a convenient category for analysis than a substantive and independent variable on the historical scene; yet some comments on the role of housing itself as a political issue are a necessary part of any comment on the political role of rent control.

##### A. The Potential for Major Impact

Rent control as an issue around which major mobilizations are likely to take place, then, or mass movements to form, has the following positive characteristics:

1. It deals with housing, one of the most important problems for individuals and families in their everyday lives. Housing consumes 20-30% of average family income; it is the single largest expenditure in the household budget. The residence is the place where most persons spend more time than anywhere else. Its characteristics affect the quality of individual life directly and significantly. Its importance transcends even its critical role of providing shelter, and links it directly to problems of alienation endemic in the social system (Marcuse, 1976).

2. The market, and policies dominated by market forces, are peculiarly unlikely to produce socially desirable housing arrangements. Because of the high capital cost of new housing, as well as its high operating costs, income inequalities will be blatantly exhibited in housing patterns. The demands of production and the demands of consumption conflict directly in the market for land, unlike the market for telephones, for instance. Production dominates, and consumers must buy their way out of the resulting problems with such income as they may have.

Other weaknesses of market allocations are accentuated in housing. Social costs are substantial and have quite different impacts from private costs, major externalities exist that are not captured in market reckonings, the interests of future generations in decisions with long-lasting consequences play less of a

role than the profits of present generations, intangibles such as community, friendliness, diversity, beauty, which need social action for their enhancement, are not likely to fare well in a market-dominated housing system. And the negative results, in housing, are not obscure or remote or even debatable. Efforts for better housing may thus readily be used to reveal deeper political and economic problems.

3. Rent control, among housing issues, is one of the most likely to generate mass involvement. At the one extreme, direct action, as via rent strikes, utilities withholding, or squatting, involves high personal risks, risks which for an individual can only be minimized by an already high level of social organization. Where either such social organization already exists from other sources, or where the risks are seen as slim because what may be lost is in any event undesirable, direct action is more likely; thus direct action in the Depression, or in the ghettos in the 1960's. Otherwise, direct action is unlikely on a continuing basis under normal circumstances.

At the other extreme, campaigns for increased public subsidies are too remote in their targets, too long-term in their potential results, too indirect and diffuse in their impact, and, at least in the United States today, too little based on what is considered politically feasible, to generate major mass involvement.

Rent control has the potential for avoiding both of these weaknesses. Because it is directed at government action, it does not jeopardize the individual's home; because it will directly and immediately affect his or her monthly rent, its potential benefit does strike home. It is local and direct, and the issues are comprehensible in the short run to everyone. It suffers from a lack of acceptability in conventional politics; once legitimately entered onto the political arena, however, it is likely to be a strong issue.

European experience tends to corroborate the foregoing. Council housing in England and social housing in Germany are well accepted in these politically more advanced countries, but rent strikes have not been major weapons there either. Rent controls and subsidies—often linked together—have, however, been the subjects of substantial political pressure.

4. Coalition building is feasible for rent control. Low-income and middle-income tenants have a common interest in bringing rents down at least to the fair return level. And it is a true common interest, not merely a coalition built on trade-offs and reciprocity. The push to control rents below the fair return level, and to deal with hardship issues, moves from common interest to reciprocity. Middle-income tenants do not suffer from hardship in the same sense as those of low income, and the ideological implications of hardship formulas will not appeal to those already doing well within the system. The dangers of cooptation discussed below thus are of concern. Within such limits, however, effective coalitions can be, and have been, built around rent control.

Such coalitions can be useful even beyond their common ground, by producing successes on which low-income efforts can be built to go beyond the issues on which the coalition agrees. Immediate successes are important in the dynamics of mass movements, and coalition possibilities will help provide them for rent control.

5. The oppression of women within the family can serve to heighten the militance of movements around housing issues, although it may also dampen it. Women's traditional role within the family makes them more keenly aware of the irrationalities of the housing system; they are more immediately and more significantly affected by it than are men in the traditional male roles. Women have thus historically played a leading role in tenants movements, and are today.

The home is also, however, the scene of the exploitation of women within the family. The discontent of a woman with her housing, whether she is working outside the house or within it, can be seen by a husband as discontent with him, and what he provides. The response can be his efforts to increase the burden on her, and/or to blame her for the conditions of the house. This will of course be more true of conditions of the individual dwelling unit than of the neighborhood, which are less within the individual family's control; but it is at the level of the individual unit that many housing-centered conflicts occur. Again, rent strikes and actions against individual landlords about individual units aggravate the problem; neighborhood actions, and actions directed at public results, such as rent control, are less subject to be vitiated by intra-family sexism, and more likely to call forth the accumulated and repressed leadership, energy, understanding and organizational skill of women.

#### B. Limiting Factors

The factors limiting rent control as a social issue and basis for mass action are as follows:

1. Controversies about housing take place at the consumption, not the production, end of the economic system. This is not to say that housing does not play a critical role in the production processes, or that state policies affecting housing are not significantly motivated by considerations arising out of the production processes. Nor is it to say that consumption is not a critical variable in the smooth functioning of the productive processes and the economy as a whole. Both of these issues have been the subject of much discussion, and some controversy, in the current literature, and it is not intended to investigate them further here.

The point here is simply that controversies surrounding housing are attenuated in their impact on the fundamental relations of production. While victories on housing issues, such as the imposition of rent controls, may weaken the legitimacy of the dominant relationships, particularly if their full ideological

Implications are drawn out in the course of the struggle, such victories do not seriously hamper the accumulation process, the economic processes of the system. Concessions can therefore readily be granted, and compromises achieved. Rent control may, from the point of view of the dominant economic groups, appropriately be submitted to the conventional political processes for resolution; whatever that resolution is, only some marginal economic interests will be affected, and that within quite acceptable limits.

European experience certainly bears out this conclusion. All kinds of rent control schemes, from extraordinarily rigid, as during war-time, to very loose, as in Germany today, to repeal, as in Sweden, are consistent with governments running the spectrum from conservative to liberal socialist. The same is true, more broadly, of housing policies in general. Housing is marginal to the productive processes, and a wide range of approaches to housing are compatible with the continued prosperity of a market economy.<sup>5</sup> The ultimate sensitivity of the system to housing issues is thus not great.

2. Housing appears as a private matter at present. The ideological web built up about housing over the last two centuries links it with the sanctity of the individual and the nuclear family, the private personality, the refuge of each person from the outside world. The free-standing single-family house is the symbol of that ideology. The apartment shares it; even the police, the direct agents of the state, need a warrant (theoretically) to violate it. To see this supremely personal adjunct of one's life as a social product, to put its future up to the vagaries of political or legal or direct action controversies, runs against ingrained (in the active sense) convictions.

By the same token, improvements in housing are seen as functions of individual action. Unlike job upgrading or increased pay, which are seen by most workers as functions of collective action, improved housing is seen as moving up--moving, not staying and collectively upgrading. The impetus for short-range collective action is thus much reduced. Only for the elderly is this not so; their interest in collective action on housing issues is thus likely to be unusually high. This can be seen both on neighborhood issues and on issues as rent controls both of whose importance is inversely proportional to individual mobility.

3. Ease of coalition-building has disadvantages as well as advantages: the likelihood of submergence of the goals of lower-income tenants to other members of the coalition. History shows a number of examples of such submergence: the events of the 1920's in New York, when after passage of limited rent control legislation tenant groups became virtual administrative adjuncts to the New York State Democratic administration; the shifting emphases of the conflicts of the early 1970's; the erosion of united action after the rental market for higher income tenants had loosened up in Sweden and Germany; the shifting nature of the formulae for limiting rents in the United Kingdom.

4. The subordination of housing to broader issues is as true of specific situations of conflict as it is at a more general and theoretical level. Housing is the focus of few political organizations, and few major political changes are centered around housing-related concerns. Even the ghetto rebellions of the 1960's, which were as directly related to neighborhood-level conditions and took place on as close to a community level as any major social upheavals in recent history, did not focus heavily on housing. Housing problems were high among the complaints of participants, in interviews after the event, but improved housing was hardly seen as the major solution being demanded by those events. Movements originating in housing or rent control problems must be ready to adapt themselves to different demands and confront different challenges as situations develop. This may often mean rent control demands will suffer, as they did when the Socialist Party had to turn to defend its parliamentary legality in 1919 and 1920, or when racial issues took center stage in the 1960's, or perhaps today, with issues of employment at the national level and housing abandonment at the local level have become pre-eminent.

5. Rent control is inherently a quantitative issue; quantitative issues are by nature negotiable; negotiations lend themselves to bureaucratic handling, technical detail, leadership centralization, passive membership, and compromise. Like wage demands in a factory, ceiling rents on housing are as easily seen as matters of mutual adjustment as of principle. There are of course principled issues involved in rent control, as there are in wage demands, but it takes an effort to keep the issues on the plane of principle, to continue to emphasize the issues in the face of the temptation to haggle over amounts. Quantitatively negotiable issues are rarely the bases for fundamental conflicts.

6. Rent control is a device to regulate one aspect of the private market in housing. It assumes the existence of that private market. It simply tries to smoothen out that market, to make it function more effectively, to make it more "orderly."

At the level of liberal/conservative political controversy, rent controls do belong on the liberal end of the spectrum. They suggest that there is some public interest in the regulation of the private market. Their position on the spectrum is akin to that of public utility regulation: fundamental institutions and arrangements are not challenged, but marginal decisions are overseen. That does create some ideological issues of legitimacy, and some opponents of rent control see it clearly: when Frank Kristof speaks of "the institutionalization of the notion that increases in rents... are a privilege and not a right," \* he is succinctly capturing the political thrust of rent control—more accurately than those opponents who shout loudly of rent control as socialism and a subversion of the free enterprise system. Rent control is a populist issue, in the classical sense, not a radical one.

\* Kristof, p. 13.

There is an essential problem in trying to make it a radical issue in any deeper sense. The private market, no matter how regulated, overseen, and controlled, will never meet the housing needs of the poor. The forces that dominate the private market will never allocate land to housing, nor housing among its users, in the same way that democratically, politically determined, methods would. Objectively, rent controls do not, and cannot, no matter how far pushed, lead to a radically different social result than the present market system.

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The more radical implications of rent control arise from what it cannot do, not from what it does. If these implications are drawn during particular campaigns, the possibilities for advancing delegitimation exist. In some campaigns, the implications have historically been drawn, and some of the groups involved in current controversies draw them. Urban Planning Aid in Boston, for instance, in analyzing Massachusetts' rent control laws, says, in deliberate and well chosen words:

Underlying (landlords' opposition to rent control) is the basic assumption that the private market system can be relied upon to meet the housing needs of Commonwealth residents. But the growing scarcity of decent, affordable housing throughout the state casts considerable doubt on this proposition. If the private sector is unable or unwilling to do the job, subject to socially necessary forms of regulation, the solution is not to repeal or modify government controls. Instead, new forms of housing finance, ownership, and control must be created to more adequately serve people's housing needs. \*

The Metropolitan Council on Housing in New York City is more explicit in what those new forms might be; their program, appropriately entitled "Housing in the Public Domain: The Only Solution," calls for a Housing Board elected by Tenants Committees to manage as much housing as is necessary to alleviate the housing shortage and permit every tenant a decent home for 15% of his or her income. \*\* The perceived limits of rent control, not its strengths, produce such recommendations.

Within the narrower confines of rent control, aspects that will tend to broaden the issues can be identified:

- \* Using tenant hardship as the determining criteria for setting rents, rather than returns to landlords;

\* Urban Planning Aid, 1-2.

\*\* Hawley, pp. 55-8.

- \* acknowledging and highlighting the limitations of rent control;
- \* developing programs that will increase the redistributive impact of controls;
- \* using the anomalies produced by rent control to highlight the irrationalities and counter-social results of the private market in housing;
- \* linking rent controls with the need for immediate subsidies and ultimately "housing in the public domain."

Because rent control directly affects a poor tenant at the immediate point of hardship, it will be a strongly felt issue at a time of crisis; because rent control assumes the continued existence of the deeper causes of that hardship, it will also be a limited issue. It is likely in the middle range to be preempted by middle-income groups, and to provide few real benefits for the poorest and worst housed. Its fate will in most cases be determined by forces outside of the housing sector, and it will be a primary demand in few major struggles. The history of rent control and its determinants bears out these essentially strategic conclusions.

Rent controls may be presented as the method used by a benevolent state to ameliorate distortions in the housing market in the interests of the poor and the ill-housed. Or they may be presented as a victory of a unitary tenants movement over a set of malevolent interests. In fact, neither explanation is historically correct. Where rent controls have been effectively implemented, it has been because of the needs of accumulation, of production; otherwise, they have helped middle class tenants, and sometimes landlords as well, but had negligible impact on the housing of the poor.

Mass movements of the poor have historically recognized these facts. They have never, in the United States, made rent control a key objective, and where it has been, as in England, its force lay in its intimate connection with the government provision of housing and, ultimately, socialization or municipalization of the housing stock. In the sphere of accumulation, then, rent control is not of major import. Some forms of rent control, those basing limits on tenant incomes, have a greater objective potential for redistribution than others, which focus on landlord income. But it is at the level of delegitimation, by using the failure of rent controls to solve the problem at which they are aimed, that its greatest contribution to change will lie.

FOOTNOTES

<sup>1a</sup> In Quebec, "a study... shows that the major redistribution is between owners who have low incomes and their tenants who also have low incomes." Housing & Rent Control in British Columbia, p. 389. The Milner Holland report found that a huge number of landlords were very small, "many of them old women owning only one house." Hillman, 56.

<sup>1</sup> The schema does not take into account the conceptual distinction between production-related and consumption-related accumulation, between the direct extraction of surplus value and its distribution, in Marxist terms. If it did, two different continua might be suggested, one, in the area of production, running from exploitation to its antithesis, the other, in the area of distribution, running from regressive to progressive redistribution. For present purposes I do not think that distinction useful. While state policies affecting housing generally need to be seen in the context of consumption, as to rent control there is no evidence that concerns for consumption have played any role in the development of policies on rent control, in the United States at least.

<sup>1b</sup> Inflation, in fact, had more to do with national rent controls in the United States in the period after 1940 than did housing needs. On the concerns for the inflationary impact of decontrol, for instance, see Lett, 8, citing Friedlander, 24; and Lett, 213 f. 4, on post-World War I concerns with inflation and court ruling on it. For France, Brenner, 22; for Canada, Brenner, 41.

<sup>2</sup> It is interesting to speculate why the European experience has been different: why in several European countries rent controls, imposed first during the same World War I or post-war periods continued in effect almost without interruption thereafter. There are several possibilities. The most obvious is political: the greater organization, sophistication, and militance of the opposition in most European countries, compared to the U.S., is proverbial.

Another explanation, however, is more economic: the pressures of war-time production that brought forth rent control in the U.S. were perhaps more manifest in the fear of inflation at the national level than in the direct aggregation of local concerns about housing shortages. After the war inflation posed no serious continuing threat in the U.S., and national rent controls could be dropped. The situation was different in at least the United Kingdom and Germany, and continued rent controls were required as anti-inflationary measures in those countries.

A third explanation may lie in differences in the organization, relative strength, and sophistication of specific industries in the U.S. as compared to Europe. In any situation in which the volume of productive activity in a given area increases sharply, there will be pressure on the local housing market. Houston, San Diego, Cape Canaveral all have seen such developments in recent decades. Three things can happen: there is direct government subsidy of housing

expansion, spreading the costs of expanded production over taxpayers generally; there is no governmental action of any kind, local real estate prices increase sharply, rents go up, higher wages have to be paid to attract labor, and the prices of the new production are correspondingly increased; or rent controls are imposed, and no part of benefits of the expended production are captured by local real estate owners. In Europe, the tighter organization of productive firms, the greater sophistication of employers, and the lesser power of real estate interests has permitted the third to take place; in the United States, either the first or the second development has been more frequent.

<sup>3</sup> During the first 18 months of vacancy decontrol in New York City in 1971, increases in vacant units averaged 52% higher than in the controlled sector. Temporary State Commission on Living Costs and the Economy, Report on Housing and Rents, January 1974, 3.

<sup>4</sup> Monica Lett points out that the effective New Jersey laws were pursued by an aggressive middle-class New Jersey Tenants Organization, while in Maine, with low-income tenants the prime movers, the state enabling act could not be effectuated in any community in the state. Lett, 86.

<sup>5</sup> It is not at all self-evident why certain issues have historically had (or at least appeared during their course to have) the potential to lead to major social change, while others have not. Intuitively, the issues that seem to have had such potential include civil rights, welfare rights, national autonomy, employment, and peace. The issues that do not seem to have such potential include health, hunger, education, political rights, housing, and, perhaps, community control. Neither the production/consumption dichotomy nor the accumulation/legitimation differentiation seem adequate to explain the differences.

<sup>6</sup> One such possibility might be to develop a program, at present only in the conceptual stage, to tax the difference between what middle-income families are able to pay for housing and what their landlords require to obtain a defined economic rent, and to redistribute the proceeds of that tax to tenants who are unable within their income to pay such an economic rent to their landlords. In New York City, a preliminary computation shows that a pool of \$78 million might be thus created. A major impact can be achieved through the handling of a fund of this size.

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